Remarks by
Martin J. Gruenberg, Chairman,
Federal Deposit Insurance Corporation
at
Youth Savings Pilot Symposium,
Learning to Save, Saving to Learn
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Good morning and welcome.

This is an important event in the FDIC's ongoing work to support the financial education of young people as part of our agency's mission to promote financial inclusion. Today brings together most of the banks in our Youth Savings Pilot, as well as some of the educators and nonprofit partners working with these banks. Through you, we at the FDIC are learning how financial institutions, educators, and others can help build the financial capability of young people by linking financial education with safe, hands-on savings opportunities. I want to thank you for this engagement and for sharing your experiences.

Knowledge and Access Lead to Inclusion

The FDIC's work with America's youth is one part of our efforts to expand access to, and use of, mainstream financial institutions by unbanked and underbanked households in the United States.

Increasing households' access to safe, secure, and affordable banking services improves their ability to build assets and create wealth. It also makes them less susceptible to discriminatory or predatory lending practices, and can provide a financial safety net against unforeseen circumstances. Through a banking relationship, consumers can take an important step toward full participation in our economy. Also, when households find that the banking system treats them fairly and helps meet their needs, public confidence in the banking system grows stronger. For all of these reasons, a key component of the FDIC's work is to support efforts to expand economic inclusion.

To inform our work in this area, the FDIC, in partnership with the Census Bureau, conducts a national survey of unbanked and underbanked households every two years. Our latest survey, released just yesterday, shows that unbanked and underbanked rates continue to be high among low-income, young, Black, and Hispanic households.[1] For example, our survey shows that 13 percent of younger households[2] did not have a bank account—almost twice the national average. Another 29 percent of younger households were "underbanked," meaning they had a bank account, but still looked outside the banking system to meet transaction or credit needs.

Previous FDIC research suggests that conventional strategies—such as developing targeted products and services—have not been as effective with unbanked audiences, and that new strategies are necessary to establish trust and familiarity with the unbanked.[3]

Building banking relationships in schools may be one such strategy. We know from a Treasury Department study that students tend to have more positive attitudes toward banks and are more likely to have a bank account if there is a branch of a federally insured financial institution in their school.[4] This held true even in schools with a majority of low- and moderate-income students. In fact, the Treasury study found some evidence that schools with a majority of low- and moderate-income students and a financial institution branch on site had the same or better rates of financial participation than similar schools with fewer economically disadvantaged students.[5]

This is an important finding because low- and moderate-income students are more likely to be unbanked, so programs that focus on providing financial education and access to this population can have a greater, long-term impact.

Lessons from the Youth Savings Pilot Program

To learn more about current approaches to fostering banking relationships with young people, the FDIC launched the Youth Savings Pilot Program more than two years ago. Through this program, the FDIC seeks to identify approaches that successfully combine financial education with the opportunity to open a low-cost savings account for school-aged children.

Twenty-one banks participated in the pilot, and generally speaking, these banks saw their outreach programs grow to engage more young people. Approximately 4,672 youth savings accounts were opened by participating banks during the 2015–16 school year.

Thanks to the efforts of many people in this room, we have learned that there are many roads to success. Eight of the 21 of the banks in our pilot program chose to leverage their relationships with schools or non-profit partners to generate greater interest in and use of nearby bank branches. As part of a coordinated program, students visit a nearby branch where bank personnel talk about banking issues and may also offer career advice. This approach can help reduce any apprehension some young people may feel when visiting a bank for the first time.

Other banks in the pilot program established a regular physical presence at a school, where students could open accounts and make deposits. Five of the banks in our pilot opened in-school branches, while eight banks set up operations in cafeterias or other common areas on designated banking dates. This in-school presence made banks more approachable for students. It also helped students develop planning and saving skills, and introduced opportunities for peer-to-peer learning and teaching. In some cases, students were selected to staff the in-school branches. These students received additional training and opportunities to further their educational and career goals.

During the pilot, we saw that some banks are beginning to explore how to integrate mobile banking into their youth savings activities. As you know, mobile banking is increasing in popularity. The FDIC's recent survey shows that more than half of those between 15 and 24 years of age used mobile banking to access their funds, and one in four persons in this group used mobile banking as the primary means to access their account. Further, our data show underbanked households are more likely than fully banked households to: own a smart phone, use it to access their bank account, and use it as their primary means of managing their account. We hope to see responsible innovation and creativity to harness the considerable opportunity mobile technology presents to compliment youth savings efforts in schools.

Making an Impact on Students' Lives

A majority of the banks in our pilot engage with schools that primarily serve students from low- and moderate-income households. Throughout the pilot, we heard a number of stories that demonstrate the significant role that bank programs can play in the lives of the largely low- and moderate-income youth participating in their programs.

In one such story, we heard about an older teen who had recently fathered a baby. He had a job that enabled him to pay child support and a custodial checking account where he could deposit funds. But his guardians would make withdrawals from the account without his consent and he had become discouraged about using it. This situation and others like it prompted the teen's bank to investigate non-custodial savings accounts for youth over the age of 15, which state law permitted the bank to offer.

In another instance, a working teen had various financial obligations which required her to make frequent withdrawals from her savings account. A participating banker spent time coaching the teen to help her find options, such as electronic payments, to avoid excessive monthly withdrawals.

In another school, the participating bank realized that parents allowed their kids to participate in a savings program only because they knew that the school would administer the accounts on behalf of students. It turns out many of these parents were unbanked themselves and did not have a high degree of trust in financial institutions generally. However, they did trust the school to act as a financial shield. The banker administering this program indicated that, over time, the parents' mistrust began to dissipate, and more families allowed their children to participate in the program.

Lastly, a team of FDIC staff visited a pilot bank's student-run branch in a high school where a majority of students receive free or subsidized school lunches. This branch is prominently located adjacent to the cafeteria. The student tellers that work there can explain the bank's savings products, open accounts, and handle deposit transactions. One student banker shared that she is frequently approached by teachers to talk about the importance of savings in class or to answer questions from peers. Another student banker conveyed how she had helped her peers save for higher education.

These stories demonstrate how youth savings programs can make a real difference in the lives of students and their families now and in the future, and can help financial institutions develop positive long-term relationships.
The FDIC's Educational Efforts

Along with the banks and schools, we also are grateful to those of you who have used the FDIC's financial education tools. Last year, we launched the Money Smart for Young People curriculum series to provide age-appropriate materials for educators, including complementary guides for students and their families.6 Money Smart for Young People is aligned with key educational standards, and can be used for instruction across a range of subjects. For example, the materials engage preschool through second-grade students by counting and exploring coins. This approach builds number and math skills while gently teaching about money. We have had more than 35,000 downloads of components of the Money Smart for Young People product family since its launch. Eleven of the banks in the pilot have used these educational materials, and some have shared with us their ideas and experiences with the curriculum.

Money Smart for Young People came about, in large part, because of our work with the Financial Literacy and Education Commission and, in particular, the Consumer Financial Protection Bureau. Any school or bank that wants to use the curriculum can visit the FDIC's website (at fdic.gov/teachers) to download the free materials and view related videos.

The FDIC and other regulators have issued interagency guidance that encourages youth savings work throughout the banking system. I encourage you to keep this guidance in mind as your return to your communities. It can be a resource if regulatory questions arise regarding your youth savings programs.

Finally, I want to thank the Conference of State Bank Supervisors. They have developed an online resource that makes it easier for banks to identify and understand state laws about youth savings, including state laws that specifically permit minors to open and hold a deposit account in their own name.

Conclusion

In closing, it is extremely important that we help students and parents increase their financial knowledge and learn to make wise financial choices. One of the most important ways to build that financial capability is to ensure that a child's first interaction with a bank is a positive one. Offering financial education to school-age children opens the door to many opportunities and establishes the groundwork for a lifelong banking relationship. Coupling that education with the opportunity to open a savings account allows students to put their knowledge to work immediately and makes education efforts considerably more effective. Our pilot program has shown that these educational initiatives can be successful in schools, especially those that serve low- and moderate-income students.

We will continue to gather lessons learned from our Youth Savings Pilot program and, at the end of the year, we plan to release a report that will offer a roadmap for banks and schools that are teaming up to link financial education and opportunities to save.

Thank you for taking the time to share your experiences and wisdom with the FDIC team during the pilot. And, thank you for your work overall to promote financial education and economic inclusion.

1 FDIC, 2015 FDIC National Survey of Unbanked and Underbanked Households, October 2016, www.economicinclusion.gov.

2 Households headed by people age 15 to 24.

3 Rengert, Kristopher M. and Sherrie L.W. Rhine, “Bank Efforts to Serve Unbanked and Underbanked Consumers,” May 25, 2016, https://www.fdic.gov/consumers/community/research/QualitativeResearch_May2016.pdf.

4 U.S. Department of the Treasury, Lessons From the Field: Connecting School-Based Financial Education and Account Access in Amarillo, TX, April 2014, https://www.treasury.gov/resource-center/financial-education/Documents/AFCO%20Youth%20Lessons%20from%20the%20Field%20-%20Amarillo.pdf.

5 Ibid.

6 Money Smart for Young People materials are available on the FDIC’s website at https://www.fdic.gov/consumers/consumer/moneysmart/young.html.

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